

# **Washington State Auditor's Office**

## **Audit Report**

### **Audit Services**

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Report No. 5811

**The Evergreen State College**

Agency No. 376

Special Audit

July 1, 1996 Through February 15, 1997

Issue Date: May 23, 1997

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**THE EVERGREEN STATE COLLEGE**  
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**Background**

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In February 1997, The Evergreen State College (TESC) notified the State Auditor's Office of a misappropriation of state funds by a TESC employee. A TESC employee had confessed to management that, while acting in her capacity as a fiscal technician in the Student Accounts section of the Accounting Office, she misappropriated student funds. After obtaining this information, we performed a special audit of their student account disbursement systems.

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**Scope And Opinion**

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This report represents our review of controls over the manual and automated student accounts payable systems within TESC, for the period from July 1, 1996, through February 15, 1997. The purpose of this audit was to determine if payments processed through the manual check disbursement system were valid.

Our audit was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. This audit was conducted under the authority of *Revised Code of Washington* (RCW) 43.09.330.

The scope of our audit was limited to determining if existing controls provide reasonable assurance that assets are safeguarded from unauthorized acquisition, use or disposition, and reviewing payments processed through the manual check disbursement system to determine if they were valid.

The scope of our work was not sufficient to enable us to express an opinion on the agency's financial statements and we do not express an opinion on the financial position or results of operations of TESC.

In our opinion, as detailed in the following finding, a TESC employee misappropriated at least \$6,475.87 in funds from student accounts. We believe that the misappropriation did not result from internal control deficiencies at TESC.

# THE EVERGREEN STATE COLLEGE

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## Schedule Of Findings

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1. Public Funds Were Misappropriated At The Evergreen State College

Our audit of the financial records of The Evergreen State College revealed that at least \$6,475.87 in public funds was misappropriated by a former Student Accounts fiscal technician during the period July 1, 1996, through February 15, 1997, as described below. There were no federal funds involved in this case.

In February 1997, the Vice President for Finance and Administration at The Evergreen State College (TESC) notified the State Auditor's Office of possible irregularities in cash disbursements procedures in TESC Student Accounts. A fiscal technician had informed the college that she had misappropriated public funds.

The fiscal technician was responsible for processing student requests for funds in student accounts. On seven separate occasions, the fiscal technician falsified documentation authorizing the disbursement of funds from inactive student accounts. In six of these instances, the falsified documentation included requests that the check be made payable to the technician's mother. In the seventh instance, the technician authorized a check drawn in the actual student's name and then redeposited the check into a fictitious student account set up in her mother's name. She then withdrew the funds from the fictitious account using falsified authorization.

The fiscal technician was able to complete six of the above transactions. TESC management canceled the last payment after learning of the misappropriation. This employee has since been terminated by The Evergreen State College.

RCW 42.20.070 states:

**Misappropriation and falsification of accounts by public officer.**

Every public officer, and every other person receiving money on behalf or for or on account of the people of the state or of any department of the state government or of any bureau or fund created by law in which the people are directly or indirectly interested, or for or on account of any county, city, town, or any school, diking, drainage, or irrigation district, who:

- (1) Shall appropriate to his or her own use or the use of any person not entitled thereto, without authority of law, any money so received by him or her as such officer or otherwise; or

(2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him or her; or

(3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account; or

(4) Shall willfully omit or refuse to pay over to the state, its officer or agent authorized by law to receive the same, or to such county, city, town, or such school, diking, drainage or irrigation district or to the proper officer or authority empowered to demand and receive the same, any money received by him or her as such officer when it is a duty imposed upon him or her by law to pay over and account for the same, shall be punished by imprisonment in a state correctional facility for not more than fifteen years.

TESC has adequate controls in place to prevent losses from occurring without being detected in a timely manner by TESC officials. The fiscal technician circumvented existing controls by falsifying student authorizations. TESC management was able to detect this loss through their monitoring process.

TESC has a personnel dishonesty bonding policy for all employees. However, this loss was not covered by the bonding company because it was less than the deductible provision of the policy.

We recommend that TESC seek recovery of the misappropriated \$6,475.87 and related audit/investigation costs from the former fiscal technician and their insurance bonding company. We further recommend the Washington State Office of the Attorney General and the Thurston County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.

#### Auditee's Response

*The Evergreen State College concurs with the special audit report. The College will seek recovery of the misappropriated funds and the related State Audit costs. We will work closely with the Office of Attorney General, the Thurston County Prosecuting Office, and the Office of State Auditor to assure every effort is made to recover the misappropriated funds.*

#### Auditor's Concluding Remarks

We appreciate the actions taken by the College.